

Message Text

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ACTION EUR-12

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E.O. 11652: N/A

TAGS: EEC YU

SUBJECT: EC-YUGOSLAV JOINT COMMITTEE MEETING OF MARCH 29

REF: EC BRUSSELS 2682

1. SUMMARY: EC-YUGOSLAV JOINT COMMITTEE MET IN BRUSSELS MARCH 29 TO REVIEW IMPLEMENTATION OF THE TWO PARTIES' CURRENT TRADE AGREEMENT AND TO BEGIN PLANNING FOR NEGOTIATIONS AFTER THIS YEAR ON A NEW, ENLARGED AGREEMENT TO REPLACE THE PRESENT ONE WHEN IT EXPIRES IN 1978. DISCUSSIONS APPARENTLY BROKE NO NEW SUBSTANTIVE GROUND, BUT DID GIVE THE PARTIES AN OPPORTUNITY TO REITERATE THE POLITICAL AND ECONOMIC IMPORTANCE THEY ATTACH TO EXPANDED RELATIONS. END SUMMARY.

2. DELEGATIONS TO THE MARCH 29 JOINT COMMITTEE MEETING WERE HEADED BY EC VICE PRESIDENT WILLIAM HAERKAMP (EXTERNAL RELATIONS) AND JANKO SMOKE, MEMBER OF YUGOSLAVIA'S FEDERAL EXECUTIVE COUNCIL. FOLLOWING THE SESSION, A JOINT PRESS COMMUNIQUE WAS ISSUED (POUCHED TO DEPARTMENT - LIMITED OFFICIAL USE

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EUR/RPE, AND EMBASSY BELGRADE, WITH HIGHLIGHTS SUMMARIZED IN PARA 3 BELOW), AND HAERKAMP AND SMOKE HELD A JOINT PRESS CONFERENCE.

3. MAIN POINTS IN JOINT PRESS COMMUNIQUE ARE AS FOLLOWS:

-- TWO SIDES EMPHASIZED THE IMPORTANCE THEY ATTACH TO

EC-BELGRADE DECLARATION OF LAST DECEMBER 2 REGARDING DESIRABILITY OF ENHANCED RELATIONS, AND BEGAN A DISCUSSION OF HOW THAT DECLARATION IS TO BE IMPLEMENTED.

-- TWO SIDES AGREED TO BEGIN PREPARATIONS FOR NEGOTIATIONS LATER THIS YEAR ON A BROADENED AGREEMENT, TO REPLACE THE PRESENT TRADE AGREEMENT WHEN IT EXPIRES IN 1978. YUGOSLAV SIDE SAID NEW AGREEMENT SHOULD PROVIDE FOR EXPANDED TRADE AND ALSO FACILITATE ECONOMIC AND FINANCIAL COOPERATION, JOINT VENTURES IN AGRICULTURE AND INDUSTRY, EC-YUGOSLAV COOPERATION IN THIRD-COUNTRY MARKETS, AND YUGOSLAV ACCESS TO EC MEMBER STATE TECHNOLOGY. EC SIDE AGREED THAT POSSIBILITIES FOR COOPERATION IN ALL THESE AREAS SHOULD BE CAREFULLY EXAMINED. A SUBCOMMITTEE WAS ESTABLISHED BY THE JOINT COMMITTEE TO UNDERTAKE THIS EXAMINATION.

-- YUGOSLAV DELEGATION CALLED FOR EFFORTS UNDER CURRENT TRADE AGREEMENT TO REDUCE LARGE EC-YUGOSLAV TRADE IMBALANCE FAVORING THE EC.

-- TWO SIDES AGREED TO INTENSIFY DISCUSSIONS RELATING TO THE SOCIAL CONDITIONS IN EC COUNTRIES FOR THE APPROXIMATELY 700,000 YUGOSLAV WORKERS NOW HERE.

4. AT PRESS CONFERENCE, HAFERKAMP SAID BOTH SIDES RECOGNIZE THE IMPORTANCE OF EXPANDED RELATIONS AND ARE AGREED THAT THEY MUST PROCEED TO NEGOTIATE A NEW AGREEMENT PROVIDING FOR WIDER COOPERATION. IN HIS OPENING REMARKS, SMOLE ECHOED HAFERKAMP ON THE VALUE LIMITED OFFICIAL USE

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OF THE EC-YUGOSLAV RELATIONSHIP TO BOTH SIDES, NOTING THAT IT CONTRIBUTES TO STABILITY IN EUROPE, PARTICULARLY IN THE MEDITERRANEAN REGION. HE EMPHASIZED YUGOSLAVIA WANTS EC SUPPORT FOR REESTABLISHING WEST EUROPEAN-YUGOSLAV JOINT VENTURES IN INDUSTRY AND AGRICULTURE, AND INDICATED YUGOSLAVIA IS AWAITING COMMUNITY "GUIDELINES" REGARDING SHARING EUROPEAN TECHNOLOGY WITH YUGOSLAVIA, AND REGARDING EC-YUGOSLAV "COOPERATION" IN THIRD-COUNTRY MARKETS. SMOLE SAID YUGOSLAVIA IS LOOKING FOR WEST EUROPEAN ASSISTANCE IN DEVELOPING ITS TRANSPORT INDUSTRY.

5. IN REPLY TO QUESTIONS, SMOLE SAID: (A) YUGOSLAVIA DOES NOT SEEK A PREFERENTIAL TRADE AGREEMENT FROM THE EC, BECAUSE YUGOSLAVIA IS "INDEPENDENT AND NON-ALIGNED (AND) A PREFERENTIAL AGREEMENT WOULD BE INCOMPATIBLE WITH THAT;" AND (B) IN ORDER TO ATTRACT ADDITIONAL OUTSIDE MONEY TO THE PROJECT, YUGOSLAVIA IS AGAIN THINKING OF USING PART OF THE \$50 MILLION LOAN FROM THE EUROPEAN INVESTMENT BANK (EIB) WHICH THE EC AGREED TO LAST

YEAR IN CONSTRUCTION OF AN EAST-WEST HIGHWAY LINK-
ING ITALY AND GREECE; AND (C) YUGOSLAVIA IS ALSO
STUDYING THE FEASIBILITY OF CONSTRUCTING A LARGE
PROJECT FOR GENERATING ELECTRICITY WHICH COULD BE
INTEEGRATED INTO THE WEST EUROPEAN GRID. SOME EIB
MONEY COULD TO TO SUCH A PROJECT.

6. COMMENT: AS PREDICTED TO THE MISSION BY EC COM-
MISSION AND PERMDEL OFFICIALS, THE JOINT COMMITTEE
MEETING OF MARCH 29 APPEARS TO HAVE DEVELOPED NO
SPECIFIC, NEW IDEAS ABOUT HOW EC-RELATIONS ARE TO
BE ENCHANCED PURSUANT TO THE BELGRADE DECLARATION.
ON THE OTHER HAND, THE SESSION DID HELP TO MAINTAIN
THE MOMENTUM IN EC-YUGOSLAV RELATIONS CREATED BY THE
BELGRAADE MEETING, AND TO HIGHLIGHT THE IMPORTANCE
THE TWO SIDES ATTACH TO NEGOTIATING A NEW FRAMEWORK AGREEMENT TO
GOVERN THEIR RELATIONS.HINTON
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